

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ADJUSTMENT OF MARTIN GAS, INC.,)
FOR AN INCREASE IN GAS RATES) CASE NO. 9550

O R D E R

In its Order of October 10, 1986, in this case, the Commission stated that the staff would investigate the reasonableness of the rates being charged by Martin Gas, Inc., ("Martin") for gas service. On October 19, 1987, staff filed its report on Martin. On November 6, 1987, Martin filed a response to staff's report.

REVENUE REQUIREMENTS

All parties of record proposed and the Commission concurs that the revenues of Martin should not be reduced at this time.

ACCOUNTING AND REPORTING REQUIREMENTS

Reporting

The staff's report listed several monthly reporting items required by the Commission's Order of December 5, 1986, in this case. In its response to the staff's report, Martin objected to monthly reporting stating that it does not have the staff and resources to prepare a monthly report.

The Commission recalls that its Order of December 5, 1986, which required monthly reports, addressed the very same issues which are brought forth at this time. The Commission, seeing no

material change in the evidence of record concerning these issues, reaffirms its Order of December 5, 1986.

Customer Advances for Construction

In its report, staff stated that customer advances for construction should be adjusted upward for the year ended December 31, 1986, by approximately \$25,875 and reducing unappropriated retained earnings by a like amount. Martin responded saying that staff's adjustment was based on 17.05 percent line loss which is not currently the case.

The Commission has reviewed the evidence of record and finds that the base rates originally granted Martin included approximated 65.9¢ of excess cost recovery per Mcf sold based on 17.05 percent line loss. The Commission also finds that subsequent purchased gas adjustments have not reduced or altered the 65.9¢ of excessive line loss allowed in Martin's base rates. Therefore, the Commission agrees with staff and finds that Martin should increase customer advances for construction and reduce unappropriated retained earnings by \$25,875 for the calendar year ended December 31, 1986.

EXTENSION OF SURCHARGE

All parties of record proposed that the current monthly surcharge of \$3.12 per customer should be extended until September 1992, or until the balance of the construction loan is paid, whichever occurs first. The Commission concurs.

ENGINEERING CONSIDERATIONS

In the Staff Report filed October 19, 1987, it was recommended that Martin provide additional information regarding the

costs to renovate the remaining portions of the system, which have been previously identified as Finance Hollow, Bucks Branch, and Main Martin. In its response filed November 6, 1987, Martin stated that such information would require an engineering study which would cost approximately \$6,700.

The Commission is of the opinion that the information recommended in the Staff Report should be provided. However, a detailed engineering study is not required, nor was that the intent of the recommendation. Martin should file separate cost estimates for each of the three remaining portions of the system identified herein. For each estimate the information should include the amount (feet) of pipe to be replaced; the approximate number of meters and service lines that exist; and the number of meters and service lines requiring replacement.

The Commission also notes that Martin has failed to respond in a timely manner to previous reporting requirements regarding construction work. For all construction work that commences after the date of this Order, Martin should file a quarterly report with the Commission summarizing the construction activity for that quarter. Each report shall include: what portions of the system have been replaced; the size, type, and amount of pipe installed; and the expenses incurred to complete the construction with invoices supporting such expenses. If no construction occurred for the quarter, the report shall state same.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. Martin's revenues should not be reduced.
2. Martin should increase customer advances for construction by \$25,875 and reduce unappropriated retained earnings by the same amount for the calendar year ended December 31, 1986.
3. Martin should file its accounting and financial information on a monthly basis, within 25 days of the close of each calendar month.
4. The monthly customer surcharge of \$3.12 should continue until September 1992, or until the construction loan is paid, whichever occurs first.
5. The renovation of the system with plastic pipe should proceed in the interest of public safety.
6. Within 45 days of the date of this Order, Martin should provide separate cost estimates for the renovation of the remaining portions of the system, which have been identified as Finance Hollow, Bucks Branch, and Main Martin. For each estimate the information should include the amount of pipe (feet) to be replaced; the approximate number of meters and service lines that exist; and the number of meters and service lines requiring replacement.
7. Martin should file quarterly reports on all construction commencing after the date of this Order. Each report should include: the portion of the system replaced; the size, type, and amount of pipe installed; and the expenses incurred with applicable invoices.

IT IS THEREFORE ORDERED that:

1. Martin shall increase customer advances for construction by \$25,875 and reduce unappropriated retained earnings by the same amount for the calendar year ended December 31, 1986.

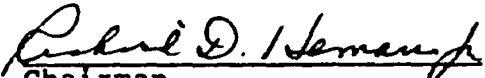
2. Martin shall file its accounting and financial information on a monthly basis, within 25 days of the close of each calendar month.

3. The monthly customer surcharge of \$3.12 shall continue until September 1992, or until the construction loan is paid, whichever occurs first.

4. Martin shall comply with Findings No. 6 and 7 as if the same were individually ordered.

Done at Frankfort, Kentucky, this 28th day of December, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director